

A Discussion of Property in the Possession of Contractors

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Four Cohorts

- Government Furnished Property
 - Equipment (ST/STE)
 - Material
- Contractor Acquired Property
 - Acquired by contractors under cost-reimbursement contracts
- Real Property
 - Mostly GOCOs
 - Some legacy RP still out there
- Progress Payment Inventory
 - Acquired by contractors under certain fixed price contracts (FAR 52.232-16)

Contractor Responsibility for GFP, CAP, and Real Property

- ❑ Contractors required to “*establish a system to manage (control, use, preserve, protect, repair and maintain) Government property in its possession.*” (Federal Acquisition Regulations, 52.245-1, Government Property Clause)
- ❑ Oversight/surveillance/audit of that system is conducted by the agency responsible for contract administration, e.g., DCMA
- ❑ Contractors have stewardship responsibility for Government Property in their possession

Stewardship responsibility: “The requirement placed on an individual or organization—acting as the custodian of another’s property—by controlling, supervising and managing the property in their care.”

Government Furnished Property

- Government Furnished Equipment
 - Essentially a change of location
 - Only the custody has changed; should already be on the Government's books (accountable property system)
 - Can also be equipment acquired under one contract and provided (transferred) to support work on a subsequent contract
- Property Accountability/Financial Accounting
 - Agency is still accountable regardless of custody
- Government Furnished Material
 - Destined for consumption (to mfr. end-items, used in repairs, or in R & D); no expectation of return
 - Values are included in the cost of the end-item

Contractor Acquired Property

- Involves only cost-reimbursement contracts
- Contractor acquires/Government takes title upon
 - Issuance of the property for use in contract performance;
 - Commencement of processing of the property for use in contract performance; or
 - Reimbursement of the cost of the property by the Government, whichever occurs first
- Receipt and acceptance has not taken place (may never take place)

Contractor Acquired Property (cont.)

- Values reflected in the cost of the end item to be delivered under the contract
- Not recorded in accountable property systems, unless subsequently delivered
 - Shipped to the Government
 - Transferred to another contract (thereby becoming GFP)

Accounting Treatment: Contractor Acquired Property

- Costs of contractor acquired property are accumulated in the “Other Assets”* account (advances and prepayments) for posting to General PP&E account when construction or manufacturing of the end item to be delivered is completed
- For General and Military equipment, the acquisition value is transferred to the applicable PP&E account on the date the contract end-item is placed in service—and is then recorded in accountable property system of record

*Except for shipbuilding when applicable

Real Property

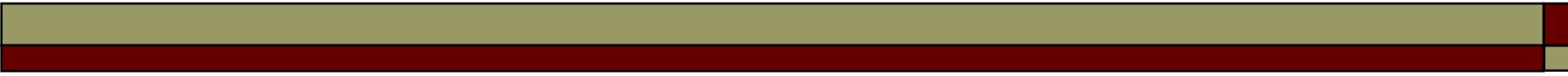
- ❑ Contractors maintain RP information in DoD accountability systems; comply with Services regulations and policies
- ❑ This includes transferring the cost of construction to the appropriate asset account and property record once placed in service

Progress Payment Inventory

- ❑ Contractors are required to “*maintain an accounting system and controls adequate for the proper administration...*” (of the progress payment clause)
- ❑ Not recorded in accountable property systems; oversight & surveillance/audit of the contractor’s system is conducted by the Defense Contract Audit Agency
- ❑ Costs of Progress Payment Inventory are accumulated in the “Other Assets” account;
- ❑ For General and Military equipment, “Other Assets” – amounts are liquidated to applicable PP&E account on the date asset is placed in service—end item delivered is recorded in accountable property system of record

References

- DoD Instruction 5000.64 (Nov. 2, 2006)
- DoD FMR, Volume 4, Chapter 6
- DoD Contractor Acquired Property Business Rule (December 22, 2007)
- Federal Acquisition Regulations, Part 45 and its associated clauses
- DFARS 252.211-7007- “Reporting Item Unique Identification of Government-furnished Equipment”
- www.acq.osd.mil/me



Any Questions?